

TRIO TECH INTERNATIONAL
Form 10-Q
November 14, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended September 30, 2008

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period from ___ to ___

Commission File Number 1-14523
TRIO-TECH INTERNATIONAL
(Exact name of Registrant as specified in its Charter)

California
(State or other jurisdiction of
incorporation or organization)

95-2086631
(I.R.S. Employer
Identification Number)

16139 Wyandotte Street
Van Nuys, California
(Address of principle executive offices)

91406
(Zip Code)

Registrant's Telephone Number, Including Area Code: 818-787-7000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Number of shares of common stock outstanding as of November 1, 2008 is 3,227,430

TRIO-TECH INTERNATIONAL
INDEX TO CONSOLIDATED FINANCIAL INFORMATION, OTHER INFORMATION AND SIGNATURE

	Page	
<u>Part I.</u>	<u>Financial Information</u>	
<u>Item 1.</u>	<u>Financial Statements</u>	
	<u>(a) Condensed Consolidated Balance Sheets as of September 30, 2008 (Unaudited) and June 30, 2008</u>	2
	<u>(b) Condensed Consolidated Statements of Operations and Comprehensive Income for the Three Months Ended September 30, 2008 (Unaudited) and September 30, 2007 (Unaudited)</u>	3
	<u>(c) Condensed Consolidated Statements of Cash Flows for the Three Months Ended September 30, 2008 (Unaudited) and September 30, 2007 (Unaudited)</u>	4
	<u>(d) Notes to Consolidated Financial Statements (Unaudited)</u>	5
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	17
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures about Market Risk</u>	29
<u>Item 4T.</u>	<u>Controls and Procedures</u>	30
<u>Part II.</u>	<u>Other Information</u>	
<u>Item 1.</u>	<u>Legal Proceedings</u>	31
<u>Item 1A.</u>	<u>Risk Factors</u>	31
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	31
<u>Item 3.</u>	<u>Defaults upon Senior Securities</u>	31
<u>Item 4.</u>	<u>Submission of Matters to a Vote of Security Holders</u>	31
<u>Item 5.</u>	<u>Other Information</u>	31
<u>Item 6.</u>	<u>Exhibits</u>	31
<u>Signatures</u>		32

Table of Contents

FORWARD-LOOKING STATEMENTS

The discussions of Trio-Tech International's (the "Company") business and activities set forth in this Form 10-Q and in other past and future reports and announcements by the Company may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and assumptions regarding future activities and results of operations of the Company. In light of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, the following factors, among others, could cause actual results to differ materially from those reflected in any forward-looking statements made by or on behalf of the Company: market acceptance of Company products and services; changing business conditions or technologies and volatility in the semiconductor industry, which could affect demand for the Company's products and services; the impact of competition; problems with technology; product development schedules; delivery schedules; changes in military or commercial testing specifications which could affect the market for the Company's products and services; difficulties in profitably integrating acquired businesses, if any, into the Company; risks associated with conducting business internationally and especially in Southeast Asia, including currency fluctuations and devaluation, currency restrictions, local laws and restrictions and possible social, political and economic instability; other economic, financial and regulatory factors beyond the Company's control; and the sharp correction in the housing market and the significant fluctuations of oil prices which occurred in 2007 and 2008. See the discussions elsewhere in this Form 10-Q, for more information. In some cases, you can identify forward-looking statements by the use of terminology such as "may," "will," "expects," "plans," "anticipates," "estimates," "potential," "believes," "can impact," "continue," or the negative thereof or other comparable terminology.

We undertake no obligation to update forward-looking statements to reflect subsequent events, changed circumstances, or the occurrence of unanticipated events.

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

TRIO-TECH INTERNATIONAL AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (IN THOUSANDS, EXCEPT NUMBER OF SHARES)

	September 30, 2008 (Unaudited)	June 30, 2008
ASSETS		
CURRENT ASSETS:		
Cash	\$ 4,664	\$ 6,600
Short-term deposits	8,362	7,746
Trade accounts receivable, less allowance for doubtful accounts of \$47 and \$51	4,833	5,702
Other receivables	697	796
Inventories, less provision for obsolete inventory of \$685 and \$880	1,879	2,449
Prepaid expenses and other current assets	195	138
Total current assets	20,630	23,431
INVESTMENT IN CHINA (Note 9)	2,291	2,267
PROPERTY, PLANT AND EQUIPMENT, Net	7,938	8,136
OTHER INTANGIBLE ASSETS, Net	80	112
OTHER ASSETS	735	813
TOTAL ASSETS	\$ 31,674	\$ 34,759
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 1,261	\$ 2,586
Accrued expenses	2,796	3,036
Income taxes payable	450	397
Current portion of bank loans payable	2,516	1,403
Current portion of capital leases	75	106
Total current liabilities	7,098	7,528
BANK LOANS PAYABLE, net of current portion	-	1,620
CAPITAL LEASES, net of current portion	125	143
DEFERRED TAX LIABILITIES	550	510
OTHER LIABILITIES	9	9
TOTAL LIABILITIES	\$ 7,782	\$ 9,810
MINORITY INTEREST	2,899	2,808

SHAREHOLDERS' EQUITY:

Common stock; no par value, 15,000,000 shares authorized; 3,227,430 and 3,226,430 shares issued and outstanding as at September 30, 2008, and at June 30, 2008, respectively		10,365		10,362
Paid-in capital		1,166		928
Accumulated retained earnings		8,106		8,825
Accumulated other comprehensive loss-translation adjustments		1,356		2,026
Total shareholders' equity		20,993		22,141
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$	31,674	\$	34,759

See notes to condensed consolidated financial statements.

Table of Contents

TRIO-TECH INTERNATIONAL AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME,
UNAUDITED (IN THOUSANDS, EXCEPT EARNINGS PER SHARE)

Three Months Ended	
September 30, 2008	September 30., 2007